

HOMEWORK ASSIGNMENT FOR THE BIG TWO AND A HALF: SOLVE RETIREMENT AND HEALTH CARE

Nancy and Harry wrote Mulally, Wagoner, and Nardelli with instructions on how they should re-do their homework assignment, to be turned in on December 2.

Congress is prepared to consider additional legislation that would give the assistance you seek, provided that you submit a credible restructuring plan that results in a viable industry, with quality jobs, and economic opportunity for the 21st century while protecting taxpayer investments.

In order for Congress to act in a timely manner, this plan must be presented to Congress by December 2nd, specifically to Senate Banking Committee Chairman Christopher Dodd and Financial Services Committee Chairman Barney Frank.

Most of their instructions are what you'd expect: guarantees of transparency and guarantees that taxpayers won't get screwed if the companies go under.

Provide a forthright, documented assessment of the auto companies' current operating cash position, short-term liquidity needs to continue operations as a going-concern, and how they will meet the financing needs associated with the plan to ensure the companies' long-term viability as they retool for the future;

Provide varying estimates of the terms

of the loan requested with varying assumptions including that of automobile sales at current rates, at slightly improved rates, and at worse rates;

Provide for specific measures designed to ensure transparency and accountability, including regular reporting to, and information-sharing with, any federal government oversight mechanisms established to safeguard taxpayer investments;

Protect taxpayers by granting the most senior status for any government loans provided, ensuring that taxpayers get paid back first;

Assure that taxpayers benefit as corporate conditions improve and shareholder value increases through the provision of warrants or other mechanisms;

Bar the payment of dividends and excessive executive compensation, including bonuses and golden parachutes by companies receiving taxpayer assistance;

[snip]

Require that government loans be immediately callable if long-term plan benchmarks are not met

There's the predictable requirement that the car companies meet their CAFE obligations.

Demonstrate the auto companies' ability to achieve the fuel efficiency requirements set forth in the Energy Independence and Security Act of 2007, and become a long-term global leader in the production of energy-efficient advanced technology vehicles;

And then there's this requirement, which they

don't really explain, but which speaks volumes.

Include proposals to address the payment of health care and pension obligations;

Ah, the payment of health care and pension obligations. It seems we've been talking about those things a bit around here. Funny thing is, through two whole days of hearings on the woes of the auto industry, nobody really wanted to talk about those things. Because, of course, the payment of health care and pension obligations is the one thing—the big thing—that still makes the Big Two and a Half uncompetitive as compared to their competitors. It's also the thing that separates us from other advanced nations, which subsidize these things and would refuse to allow an entire industry to be wiped out because of these things. And, with the big payments into the UAW's health care fund coming up, it's a looming payment that no one seemed to want to talk about at the hearings. Until this homework assignment.

Frankly, I don't know what Nancy and Harry and Barney and Chris expect to get in response to this particular line item. A proposal for universal health care? An expanded social security system (because, with the stock market down 50% in the last year, we know that 401Ks don't work as advertised)? A beg for a bailout of these two items? Maybe the demand for a gas tax that would go toward paying off pension benefits?

I'm working on answers to the rest of these questions. But jeebus, how does an industry being killed by its legacy costs propose to fix that?